

**Achievement of Market-Friendly Initiatives and Results Program
(AMIR 2.0 Program)**

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**Jordan Deposit Insurance Corporation
Company Overview**

Final Report

**Deliverable for Financial Markets Component, Task No. 607
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Jordan Deposit Insurance Corporation Overview Report

Mission

The Jordan Deposit Insurance Corporation (DIC) strives to protect bank depositors by insuring their deposits in order to encourage savings and strengthen investor confidence in the Jordanian banking system.

Background

The DIC was established in September 2000 under the “Deposit Insurance Corporation Law.” The Central Bank of Jordan (CBJ) initiated the establishment of the DIC in accordance with the CBJ’s goal of improving the Kingdom’s banking system.

Source of Funds

The CBJ and 19 member banks provided JD2.9 million in investment capital for DIC’s development. Each bank allocated JD100,000 and the CBJ gave JD1,000,000 in seed capital. The DIC collects approximately JD12 million each year from fees accessed to the member banks. At the end of each year, the 19 banks pay 0.25 percent of total deposits. By January 2003, the DIC will have collected approximately JD42 million. By law, all DIC assets are invested in Jordanian government t-bonds.

Management and Staff

The DIC currently employs 11 people. The majority of the employees are administrative. Three employees have technical knowledge of the banking industry and formerly worked at the CBJ. (See Appendix 1 for a list of DIC Board of Directors)

DIC Services

The DIC provides deposit insurance for all investors in Jordan’s member banks and foreign member banks operating in the Kingdom. In accordance with the Banking Law, the insurance sum guaranteed by the DIC is the full amount of the deposit if the amount deposited is JD10,000 or less. Likewise, the insurance sum is JD10,000 if the value of the deposit exceeds JD10,000.

Objectives

- To minimize the risk of bank runs by developing an orderly payments system.
- To develop an efficient and fair method for bank liquidation.
- To improve market discipline.
- To encourage economic growth.

- To promote competition in the financial sector.

Challenges

- Large number of family-owned banks
- Name-based lending
- No transparent rating system for banks
- Few income sources for banks
- Banks are reluctant to change and/or improve operations
- 4% of depositors own 80% of assets invested in Jordan's member banks

Future Plans

1-2 Years

Currently, the DIC is focused on building a modern deposit insurance corporation that is committed to adhering to the standards of international best practices. In addition, the DIC is working to clearly identify its role vis a vis the CBJ.

The DIC will focus on increasing and developing its staff and providing them with the necessary training to complete their tasks effectively. At present, the Director General, Mr. Mohammed Shahin, is actively looking for Certified Financial Analysts (CFA) to join the DIC, however there is a lack of qualified investment professionals in Jordan. Therefore, the DIC is seeking highly educated and motivated employees that are willing to take CFA classes.

The DIC is currently developing a comprehensive public relations campaign in order to inform the 1.4 million Jordanian depositors about the DIC's role. As stated above, the DIC only insures each depositor up to JD10,000. Ninety-six percent of depositors have less than JD10,000, therefore, much of the DIC's efforts will be focused on educating the remaining four percent.

The campaign will include educational materials such as pamphlets and brochures, as well as speaking engagements, TV appearances, radio announcements, newspaper articles and events at universities. In addition, the DIC plans to work closely with the Chambers of Commerce in Jordan and other trade organizations in order to reach all depositors.

3-5 Years

Over the long term, the DIC will focus on instituting a rating system for member banks. Once banks are subject to independent ratings, the DIC will adjust the premium structure according to the bank's ratings. Higher rated banks will pay lower premiums to the DIC.

The Director General of the DIC is a founding member of the International Association of Deposit Insurers (IADA) and plans to work closely with this organization and learn from other successful deposit insurance organizations. The DIC will continue to emphasize the importance of transparency, corporate governance and adherence to international standards of accounting for member banks.

Appendix 1

JMRC Board of Directors

<i>Name</i>	<i>Board Title</i>	<i>Organization</i>
Dr. Umayyah Toukan	Chairman	CBJ Governor
Dr. Ahmad Mustafa	Deputy Chairman	CBJ Deputy Governor
Dr. Mohammed Abu Hammour	Member	Ministry of Finance, Secretary General
Mr. Salem Khaza'leh	Member	Ministry of Industry and Trade, Controller of Companies
Mr. Mohammed Shahin	Member	Deposit Insurance Corporation, Director General
Mr. Mohammed Bahjat Bilbeissi	Member	Representative from private sector
Mr. Issam Mohammed Ali Bdair	Member	Representative from private sector

The last two members are appointed for a 3-year term by the Council of Ministers based on the CBJ Governor's recommendation. They must not be members of the banking community during their tenure on the Board and the two years following their term.